MARKETING GOES UNDERCOVER; AN EXPERIMENTAL STUDY ON UNDERCOVER VS. DISCLOSE MARKETING IN SOCIAL MEDIA, THE MODERATING ROLE OF ADVERTISING SOURCE

Thariq Nabiel Ikram* and Nurrani Kusumawati
School of Business and Management, Institut Teknologi Bandung, Indonesia
*E-mail: thariq.nabiel@sbm-itb.ac.id

Abstract. *This study aims to identify the effect of undercover marketing by using a 2 (undercover vs disclose marketing) x 2 (celebrity vs non-celebrity endorser) experimental research design. The results concluded that undercover marketing and non-celebrity endorser are less likely to activate consumers' persuasion knowledge (i.e. consumers are less likely to recognize the content as advertisement and less likely to have sceptical and distrusting attitude) and also result in a higher level of consumers' engagement. In contrast, disclose marketing and celebrity endorser are more likely to activate consumers' persuasion knowledge (i.e. consumers are more likely to recognize the content as advertisement and more likely to have sceptical and distrusting attitude) and also result in a lower level of consumers' engagement.*

Keywords: *Undercover marketing; Sponsorship disclosure; Persuasion knowledge; Consumer engagement; Social media; Advertisement*

INTRODUCTION

The rapid growth of marketing messages nowadays affect consumers' behaviour toward their acceptability of the messages in which nowadays they are creating ad-avoiding behaviour where they become more resilient against those marketing messages (Speck & Elliot, 1997). Generation Y, people who born from 1978 to 1994, are an example or representative audiences who posses ad-avoiding behaviour (Wolburg & Pokrywczynski, 2001). Non-manipulative, straight forward, and sincere advertising messages are identified to be more preferable for this generation (Bennett et.al, 2006).

Currently, a marketing strategy that purposely hide the nature of the advertising has proven to be effective to break the ad-avoidance barrier (Carl, 2006). This strategy is later known as undercover marketing and it is often referred as stealth or covert marketing. According to Martin and Smith (2008), the definition of undercover marketing is a marketing practice that does not reveal the true relationship of the company who creates the marketing message. In other words undercover marketing is trying to reach consumers without their knowledge of being persuaded to avoid consumers tendency of ad-avoidance. Contrary to undercover marketing, disclosed marketing are those marketing attempts who informs the audience regarding the presence of the sponsored message (Boerman et al., 2012; Cain, 2011) that resulted in the cognitive defense activation to protect themselves again persuasion (Nebenzahl & Jaffe, 1998).

Problem Statement
As previously undercover marketing has been widely practiced in offline channel (e.g. artificial crowds and dialogues, manipulation, product placement, etc), it is become important to know the application and the effectivity of this strategy in online channel primarily in social media. It is reported that there has been an increasing number of social media user (13% year-on-year) around the world (Chaffey, 2019). Specifically for Instagram, this social media has experienced a rapid growth as it reached 1 billion monthly active users in 2018 (Constine, 2018). From this number, Indonesia ranked as the top three Instagram user (KataData, 2018).
In regard to this data, where the previous study by Boerman et al. (2017) has conducted in Netherland with Facebook as the media, this research then focused on Instagram with Indonesian user as its subject.

Research Objective
This reserach aims to gain more knowledge about the effectivity of undercover marketing compared with disclose marketing in social media by measuring its effect toward consumers' persuasion knowledge (recognition of content as advertising and distrusting attitude toward the persuasion attempt) and consumers' engagement. Furthermore, this research also wants to identify the role of advertising source (i.e. when an ad is posted by celebrity vs when it is posted by non-celebrity) in moderating the effect of undercover and disclose marketing toward persuasion knowledge and consumers' engagement.

LITERATURE REVIEW

Undercover Marketing and Disclosed Marketing
According to Martin and Smith (2008), undercover marketing can be defined as marketing practices that does not reveal its true relationship with the brand that produces or sponsors the marketing message. Undercover marketing targets its audience secretly so that they would not realize that they are being targeteted by marketing attempts by delivering hidden message and does not disclosed its relationship with the brand (Kaikati & Kaikati, 2004). Contrary to undercover marketing, disclosed marketing strategies are those marketing attempts who reveal its relationship or association with the brand in which it informs the audience or targeted consumer regarding the presence of the sponsored message (Boerman et al., 2012; Cain, 2011) which result in cognitive defense activation to protect themselves again persuasion (Nebenzahl & Jaffe, 1998).

Celebrity and Non-Celebrity
Celebrity refers to individual who is familiar enough to the audience that he or she wants to represent a brand and shaping values to the message by relating it with her or his image (Pringle, 2004). In the other hand, non-celebrity advertising is a person with no public notoriety but appears to certain placement in an advertising (Mohan,2001). Related with the nature of non-celebrity advertisement, a recommendation from a friend or peers is the highest level of personalized, genuine marketing because it involves organic and personal conversations about products people have every day (Guest, 2016). It is different with celebrity or influencers where they can't foster personal relationship with a brand like a friend or family member. A recommendation from a friend or peers is the pinnacle of personalized, genuine marketing.

Persuasion Knowledge
The first type of persuasion knowledge is conceptual persuasion knowledge, which is the recognition of advertising (Rozendaal et al., 2011). For the second persuasion knowledge, according to Rozendaal et al. (2011), attitudinal persuasion knowledge is the critical attitudes resulted from this persuasion knowledge are disliking and skepticism or critical feelings such as credibility, honesty, and trustworthiness toward certain persuasion attempt. This persuasion knowledge usually activated after the activation of conceptual persuasion knowledge resulted from sponsorship disclosure.

Consumers' Engagement
Due to the co-creative nature of social media, consumers' engagement can be assesed through key social media usage matrics (Barger and Labrecque, 2013). Schultz, V. A. (2016) in his study then further elaborated consumers' engagement into set of measurable elements: reacting to content (e.g., giving likes and ratings), commenting (e.g. comments and replies), sharing with others (e.g., shares and retweets), and user-generated content (e.g., posting reviews). According to Cummins et al. (2014), the potential outcome of consumers' engagement are consumer loyalty, satisfaction, retention, and profitability.

Conceptul Framework
The following conceptual framework is modifed from the study by Boerman, Willemsen, & Van Der Aa (2017). The moderating and the dependent variables area changed and adapted based on the foundings by Schultz, V. A. (2016) on his study on consumers engagement and Collective Bias Survey (2016) on its study about the rise of non-celebrity endorser.
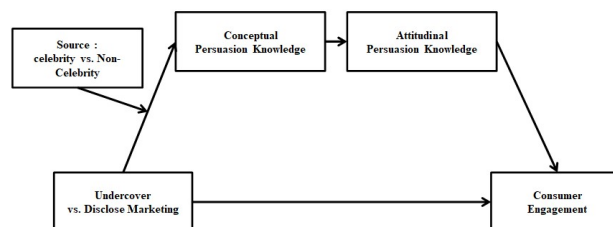

Figure 1. Conceptual Framework Adapted from Boerman, Willemsen, & Van Der Aa, 2017

Below listed all of the hypotheses of this research:
H1 : An Instagram ad with undercover marketing is less likely to activate consumers' conceptual persuasion knowledge than an Instagram ad with disclose marketing.
H2 : An Instagram ad posted by non-celebrity is less likely to activate conceptual persuasion knowledge than an Instagram ad posted by celebrity.
H3 : Celebrity as advertising source is stronger in affecting the mediated relationship of both undercover and disclose marketing toward attiudinal persuasion knowledge than non-celebrity as advertising source.
H4 : Compared to non-celebrity, an ad posted by celebrity is more likely to decrease consumers' engagement as it is more likely to activate conceptual and attitudinal persuasion knowledge.

METHODOLOGY

Data Collection
This research uses an online experiment using a 2 (undercover marketing vs disclose marketing) x 2 (celebrity vs non-celebrity endorser). To fulfill the independence of observation assumption in experimental research design, the participants will be randomly assigned to one of the four scenarios without no respondents participated in more than one scenario.

Stimulus Materials
This research uses four conditioned stimulus materials in the form of Instagram post for each of the questionnaires' scenario; (1) celebrity with undercover marketing, (2) celebrity with disclose marketing, (3) non-celebrity with undercover marketing, and (3) non-celebrity with disclose marketing.

Population and Samplimg
Because this research is aimed to identify the effect of undercover marketing toward persuasion knowledge and consumers' engagement within the scope of generation Z, thus this research targeted the generation Z itself as the suitable. As the research design of this study is experimental where the subject has to be homogeneous to decrease the variability of the measurement (Broman, 2003), this research selects undergraduate student from ITB (Bandung Institute of Technology) who was born from 1995 to 2012 as the representative of generation Z. Furthermore, the respondents of this research also has to know the non-celebrity endorser in person (special qualification only for the "non-celebrity" scenario's respondents) as this research is focusing on peer-based endorsement for the non-celebrity endorser.

3.4 Research Measurement

Table 1. Research Measurement

Source	Variable	Sub-Variable	Scale
(Boerman, Willemsen, Van Der Aa, 2017)	Conceptual persuasion knowledge	Conceptual persuasion knowledge	7 point likert scale
(Boerman, Reijmersdal, Rozendaal, Dima, 2018)	Attitudinal persuasion knowledge	Skepticism toward sponsored content	7 point semantic differential scale
		Appropriateness of sponsored content	7 point semantic differential scale
		Liking of sponsored content	7 point semantic differential scale
(Schultz, V. A., 2016)	Consumer Engagement	Reacting to content	7 point likert scale
		Commenting on content	7 point likert scale
		Sharing content with others	7 point likert scale
		Posting User-Generated Content (UGC)	7 point likert scale

FINDINGS AND ARGUMENT

Hypothesis 1
From the ANCOVA result. the conceptual persuasion knowledge of the audience resulted from undercover marketing (M = 3.39, SD = 1.74596, n = 100) is significantly lower compared to disclose marketing (M = 5.03, SD = 2.10077, n = 100), F = 43,547, p < 0.001, Partial Eta Squared = 0.183. Hence, the audiences are less likely to recognize the content of undercover marketing as an advertisement or commercial content compared to disclose marketing. Thus, H1 is supported.

Hypothesis 2
In regard to H2, the source of advertising (celebrity n = 100, non-celebrity n = 100) is found to has a significant effect on the conceptual persuasion knowledge, F = 54.504, p < 0.001, Partial Eta Squared = 0.219. Furthermore, the audiences were significantly less likely to recognize the content as advertising (less likely to activate conceptual persuasion knowledge) when the Instagram ad was posted by non-celebrity (M = 3.31, SD = 2.00351, n = 100) compared to when it was posted by celebrity (M = 5.11, SD = 1.78034, n = 100). Hence, this founding supports H2.

Hypothesis 3
The indirect effect of disclosure types (undercover and disclose) are significant for both of the advertising sources; when it was posted by celebrity (boot SE = 0.0647, BCI [0.0548, 0.3067]) and when it was posted by non-celebrity (boot SE = 0.0512, BCI [0.0385, 0.2382]). But from both of this advertising sources, the indirect effect of celebrity (effect = 0,1691) in affecting the mediated relationship of disclosure type (undercover and disclose) toward attitudinal persuasion knowledge mediated by conceptual persuasion knowledge is bigger than non-celebrity (effect = 0.1254). Thus, when it is compared with non-celebrity, an

Instagram ad that is posted by celebrity has a stronger effect in activating audience's conceptual persuasion knowledge (the recognition of a content as advertising) and thus leads to the use of attitudinal persuasion knowledge (distrusting belief and attitude toward the content). This result supports H3.

Hypothesis 4
For the non-celebrity condition resulted from PROCESS MACRO Model 6, the indirect effect with two mediation variables from disclosure types (undercover vs disclose) -> CPK -> APK -> CE (consumers' engagement) is significant (effect = -0.0665, 95% BCBCI [-0.1880; -0.0049]) but does not demonstrated significant direct effect from disclosure type (undercover vs disclose) to CE (see Figure 2). In contrast, the same analysis for celebrity condition does not result in significant indirect effect from disclosure types (undercover vs disclose) -> CPK -> APK -> CE (indirect effect = -0.0062) as the 95% confidence interval (BCBCI [-0.1531; 0.1273]) includes zero value but it does has significant direct effect from disclosure types (undercover vs disclose) on consumers' engagement (effect = -0.6191, 95% BCBCI [-1.1992; -0.0390], p = 0.0367). From the finding, the effect of celebrity as advertising source in affecting consumers engagement is lower than the effect from non-celebrity. It means that when audience is exposed with advertising (both undercover and disclose) that featuring a celebrity, they will be less likely to engage with the content compared to when it was is posted by non-celebrity. Therefore, H4 is supported.

CONCLUSIONS

This research used experimental research design and analyzed the data using ANCOVA and PROCESS MACRO by Hayes (2013). The results concluded that undercover marketing and advertisement that is posted by non-celebrity are less likely to activate consumers' conceptual persuasion knowledge (i.e. less likely to recognize the content as advertising) and less likely to activate their attitudinal persuasion knowledge (i.e. consumers are less likely to have sceptical and distrusting belief toward the content) and ultimately result in a higher level of consumer engagement. In contrast, disclose marketing and ad that is posted by celebrity has a stronger effect in activating conceptual persuasion knowledge (i.e. consumers are more likely to recognize the content as advertising) and thus leads to the use of their attitudinal persuasion knowledge (i.e. consumers are more likely to have distrusting belief and skeptist attitude toward the content) and ultimately result in a lower level of consumer engagement.

According to this founding, marketers are suggested to consider undercover marketing as advertising strategy and engage with non-celebrities as advertising source rather than celebrities. Beside a potentially cost-saving strategies, undercover marketing and non-celebrity based endorsement (e.g, peer-based advertising) would result in a higher consumers' engagement compared to disclose and celebrity-based advertisement as less likely to activate conceptual and attitudinal persuasion knowledge of the audiences.

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